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THE GOVERNMENT OF CANADA'S RESPONSE

TO THE SEVENTH REPORT OF THE
STANDING COMMITTEE ON
HUMAN RESOURCES DEVELOPMENT
AND THE STATUS OF PERSONS
WITH DISABILITIES

*Getting it Right for Canadians:
The Disability Tax Credit*

Tabled in the House of Commons by
The Honourable John Manley,
Minister of Finance

August 21, 2002

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Introduction

On March 21, 2002, the Standing Committee on Human Resources Development and the Status of Persons with Disabilities tabled in the House of Commons its seventh report entitled “Getting it Right for Canadians: The Disability Tax Credit”. The report is based on extensive consultations undertaken by the Committee with organizations representing persons with disabilities and medical experts.

In its report, the Standing Committee communicates the views it heard expressed in its consultations and makes a number of recommendations for altering the eligibility criteria for the disability tax credit (DTC) and changing the way these criteria are administered. It also recommends that the Government undertake consultations and an evaluation of the DTC and other tax assistance for persons with disabilities.

The Standing Committee plays an important role in the oversight of federal policies for persons with disabilities and its report makes a valuable contribution to the Government’s knowledge and understanding of disability issues, in particular by bringing the concerns of the community to the Government’s attention. The Government appreciates the thoughtful assessment and recommendations of the Standing Committee in this very important area of public policy, and thanks its members for their dedicated effort. The Standing Committee continues to demonstrate strong commitment and leadership to ensure that Canada achieves meaningful progress on issues affecting persons with disabilities.

The Government of Canada is committed to building a stronger, more inclusive society, and to securing a higher quality of life for all Canadians. In this vision of an inclusive society, in which social and economic goals are pursued hand-in-hand, all Canadians will have the opportunity to contribute to, and share in, our country’s many successes. As part of this commitment, the Government provides substantial assistance to persons with disabilities through programs providing support, including income support and tax assistance in recognition of disability-related costs. The Government recognizes the importance of ensuring these programs are effective, and the Standing Committee’s report is very helpful in this regard.

This Response addresses the recommendations of the Committee. To provide this response in context, information is provided on the federal assistance available through the tax system and through programs for persons with disabilities. It is noted that in recent years, the Government of Canada has made important enhancements to its tax assistance as a result of consultations with representatives of persons with disabilities. This Response also describes the actions the Government is undertaking to ensure the effectiveness of tax policy and administration, and sets out the Government’s course as it moves forward toward the goal of full citizenship for persons with disabilities.

Supporting Full Citizenship: The Broad Context

The Government of Canada is committed to supporting full citizenship for persons with disabilities. The DTC, which is the main subject of the Committee's report, is only one of the ways in which this commitment is being fulfilled. The Government makes substantial investments in initiatives that enhance the full participation of persons with disabilities in Canadian society, both directly, and in partnership with provinces, territories, and the private and voluntary sectors.

Human Resources Development Canada (HRDC), the lead federal department on disability issues, invests about \$3 billion annually through the department's key programs for Canadians with disabilities. Veterans Affairs Canada provides substantial support in the form of non-taxable disability pensions for veterans totalling over \$1 billion annually. In addition, the Government of Canada provides tax assistance amounting to nearly \$1 billion per year.

Programs and Services for Persons with Disabilities

The Constitution gives provinces and territories primary responsibility for providing income support and delivering disability supports to persons with disabilities. The Government of Canada supports provincial and territorial initiatives through its general transfer of funds to cover post-secondary education, health, and social services. In 2002-03, federal contributions under the Canada Health and Social Services Transfer (CHST) will amount to \$35.7 billion.

The Government of Canada's direct investments in programs to support persons with disabilities are managed through a network of over 30 federal departments, agencies and commissions, with HRDC as the lead department. In addition to providing support to individuals, these programs promote research and development, help strengthen the capacity of voluntary and private sector partners, and address various barriers to the full integration of persons with disabilities in the workplace and society.

Key Human Resources Development Canada Programs to Support Persons with Disabilities

(\$ millions)

<i>Reducing Barriers to Labour Force Participation</i>	
Employability Assistance for People with Disabilities (EAPD)	193
Opportunities Fund (Includes \$3 million to support Aboriginal Persons with Disabilities)	30
<i>Reducing Barriers to Post-Secondary Education</i>	
Canada Study Grants awarded in 1999-2000 to students with disabilities	10
<i>Earnings Replacement</i>	
Canada Pension Plan Disability Benefits (Includes payments to children of CPP contributions)	2,800
<i>Supporting Disability Organizations</i>	
Social Development Partnerships Program (SDPP)	12
Total Programs and Services	3,045

Annex 1 provides information on the main federal programs for persons with disabilities.

Tax Assistance for Persons with Disabilities

In addition to assistance provided through direct spending programs, the Government of Canada provides assistance to persons with disabilities through a number of different tax measures. Tax assistance is also provided by provinces and territories. Some measures help with the costs associated with disabilities, others provide tax assistance for caregivers, while others help to reduce barriers to labour force participation for persons with disabilities.

The table below shows the estimated federal tax expenditure for 2002 of the various tax measures to support persons with disabilities. Annex 2 provides a description of these measures.

**Tax Measures to Support Persons with Disabilities
2002 (Estimates)**

	(\$ millions)
<i>Measures to recognize costs</i>	
Disability tax credit (DTC)	390 ¹
Medical expense tax credit (METC)	505
<i>Measures for caregivers</i>	
DTC supplement for children with a prolonged and severe impairment	n.a. ²
Caregiver credit	30
Infirm dependant credit	10
<i>Reducing barriers to labour force participation</i>	
Attendant care deduction	3
Child care expense deduction for children having a severe and prolonged impairment	3
Refundable medical expense supplement	52
Total Tax Assistance	987

¹ Includes DTC supplement for children with severe and prolonged impairment

² Included in the tax expenditure on the DTC

³ Under \$ 2.5 million

Source: *Tax Expenditures and Evaluations Report, Department of Finance, 2001*

**Responding to Consultations – Recent Enhancements to Tax Assistance
for Persons with Disabilities**

Providing tax assistance to persons with disabilities has always been a top priority of this Government. In 1996, even before the budget was balanced, the Government of Canada began to enhance tax assistance. The table below identifies recent enhancements and Annex 3 provides greater detail on actions taken in recent budgets. Overall tax assistance for persons with disabilities has increased to about \$1 billion per year from \$600 million in 1996 – almost a 70 per cent increase.

**Recent Enhancements to Tax Assistance
for Persons with Disabilities**
(Selected List)

	1995	2002
	(\$)	
Increased DTC (<i>credit amount</i>) ¹	4,233	6,180
Increased child care expense deduction limit in respect of children with a severe and prolonged impairment	5,000	10,000
Introduced and increased DTC supplement for children having a severe and prolonged impairment (<i>credit amount</i>)	0 ²	3,605
Introduced and increased caregiver credit (<i>credit amount</i>)	0 ³	3,605
Increased infirm dependant credit (<i>credit amount</i>)	1,583	3,605

¹ *Tax credits are calculated as 16% of the credit amounts in 2002, 17% in 1995*

² *Credit amount for 2000, the year of introduction of the DTC supplement for children with disabilities, was \$2,941*

³ *Credit amount for 1998, the year of introduction of the caregiver tax credit, was \$2,353*

Many of the recent changes have been made in response to representations from Canadians, Parliamentarians and various groups representing persons with disabilities. The Government of Canada agrees with the Standing Committee that consultations play a central role in ensuring the effectiveness of tax policies. As part of its ongoing evaluation of tax policy, the Government will continue to draw from extensive consultations, primarily through the pre-budget consultations of the Standing Committee on Finance.

Submissions by organizations representing persons with disabilities and the work of the Sub-Committee on the Status of Persons with Disabilities have been influential in recent decisions to increase tax assistance to persons with disabilities. They contributed to the substantial enhancements to the DTC, increased tax assistance for families caring for children with disabilities, increased support to caregivers, and enhancements to the medical expense tax credit (METC).

The Disability Tax Credit (DTC)

Through the DTC, the Government of Canada gives recognition to the effect of a severe and prolonged physical or mental impairment on an individual's ability to pay tax.

The DTC contributes to the Government's broad objective of achieving fairness in taxation. Fairness requires that individuals in similar situations with similar incomes pay similar amounts of tax. Because individuals with severe and prolonged physical or mental impairments incur disability-related expenses that are not incurred by others, their ability to pay tax is reduced, all other things being equal.

The DTC supplements the METC, which is available to all taxpayers for above average medical and disability-related costs. The METC allows taxpayers, including those with disabilities, to claim expenses incurred for prescription drugs and medical services, as well as disability-specific items like hearing aids, wheelchairs and modifications to vans and homes. Above-average expenses are those that exceed the lesser of 3 per cent of net income and \$1,728 for 2002.

The DTC was established to recognize the fact that individuals with severe and prolonged impairments often face additional non-discretionary expenses for basic daily living which reduce their ability to pay tax. For example, individuals with severe mobility impairments may have special transportation needs that result in higher costs. Because it would be very difficult for individuals to determine and keep track of exactly how much extra they pay for everyday items and services, the DTC, unlike the METC, does not require claimants to itemize the disability-related expenses they incur. Instead, eligible claimants are provided with a general expense claim of \$6,180. This reduces their federal tax by up to \$989, or 16 per cent of \$6,180. Provinces and territories provide similar credits.

Eligibility for the DTC

Individuals are eligible for the DTC if, due to the effects of a severe and prolonged physical or mental impairment:

- they require extensive therapy in order to sustain a vital function; or,
- they are markedly restricted in their ability to perform a basic activity of daily living.

For DTC purposes, “a basic activity of daily living” includes walking; hearing; speaking; eliminating bodily waste; feeding and dressing oneself; and perceiving, thinking and remembering.

Individuals are “markedly restricted in their ability to perform a basic activity of daily living” if they are blind, or unable to perform a basic activity of daily living, or require an inordinate amount of time to do so, all or substantially all of the time, even with the use of appropriate aids and medication. For the purpose of the DTC, as for the application of the entire *Income Tax Act*, the meaning of “all or substantially all” is generally considered to be 90 per cent or more.

Ensuring the Effectiveness of the DTC

The Department of Finance reviews tax assistance for persons with disabilities on an on-going basis to ensure its effectiveness. The Standing Committee recommended that the Government undertake a formal evaluation of the DTC and report back to the Committee by December 31, 2002. The Government agrees that an evaluation of the DTC is key to an improved understanding of its efficacy in contributing to fairness in taxation. The Department of Finance will initiate an evaluation of the DTC as soon as new data from the 2001 Participation and Activity Limitations Survey (PALS) becomes available in the spring of 2003, to ensure that the DTC achieves its stated policy purpose.

A major focus of the Standing Committee's report is on the eligibility criteria for the DTC. In considering any changes to the eligibility criteria, it is important to remember that the purpose of the DTC is to recognize the effect of supplementary costs incurred due to the effects of a severe and prolonged impairment on an individual's ability to pay tax. The Committee's proposed changes need to be further investigated to ensure that this policy intent is respected. In addition, any significant changes to the DTC that depart from this intent and extend eligibility for the credit need to be considered in the general context of overall federal tax and spending priorities.

Certifying Eligibility

The Committee report observes that in some remote areas, where doctors may not always be readily available, it may be difficult for individuals to obtain certification to apply for the DTC. The Committee recommends that registered nurses be authorized to provide DTC certification in remote areas.

Currently, only medical doctors are authorized to provide certification for all types of mental or physical impairments. In addition, many different types of medical practitioners can certify for specific impairments. For example, audiologists can certify individuals for hearing impairments but not any other types of impairments.

The Government of Canada agrees that certification on a timely basis may be more difficult for people living in northern and isolated areas where doctors may not be readily available. At the same time, to ensure that the DTC is responsibly administered, it is important that impairments continue to be certified by a medical practitioner with the needed qualifications.

The Government will consult with provinces and territories and with medical professional associations to determine whether registered nurses have the qualifications needed to certify some or all types of physical and mental impairments.

Ensuring Fair and Effective Administration of the DTC

The Committee also comments on the efforts of the Canada Customs and Revenue Agency (CCRA) to ensure the DTC is administered fairly and effectively. It raises a number of concerns about the review of DTC claims recently undertaken by the CCRA. Along with its recommendations on the review of claims, the Committee proposes changes in the design of forms, training and information programs, and the appeal process.

Review of DTC Claims

An important aspect of tax fairness is ensuring that those who benefit from tax measures are entitled to receive them. The Government of Canada is also committed to accountability and efficiency in all program administration. File reviews, such as the review of DTC claims recently undertaken by the CCRA, contribute to these objectives. The purpose of these reviews is to ensure that those who are entitled to receive the credit can continue to benefit from it.

The first phase of the recent review of DTC claims took place in 2001, and involved contacting approximately 106,000 individuals who had applied for the DTC between 1985 and 1996, and who continued to receive the credit.

Prior to 1996, clients who applied for the DTC were accepted upon assessment. Subsequently, some of these returns were selected for review. This resulted in some retroactive adjustments in which the DTC was disallowed for more than just the current year. This approach was not favourably received and caused hardship to some individuals. Further to input from organizations representing persons with disabilities and in order to avoid the need to recover money as the result of post-assessment activities, the CCRA changed this administrative approach for the DTC, beginning in 1996. Since that time, the CCRA verifies all new claims for the DTC before granting the credit.

The adoption of this new administrative policy revealed that approximately 20 per cent of individuals who apply for the DTC are not eligible to receive it. This is not to suggest that these individuals do not have impairments, but rather that the effects of their impairments do not meet the legislated requirements for the DTC. However, this denial rate led the CCRA to conduct a pilot project in 2000 to review the eligibility of a sample of individuals who had applied for the credit between 1985 and 1996. The pilot project found that a significant number of individuals should never have qualified for the credit, should have been approved only on a temporary basis, or did not have sufficient information in their file to determine if they were eligible. This information indicated that a full review of claims made between 1985 and 1996 was justified.

Active files for claims made between 1985 and 1996 were retrieved, and the contents examined. If the file contained sufficient information to support the claim, the individual was excluded from the review. If the information on file was incomplete or inconclusive, the claimant was advised by letter that he or she would need to have his or her condition re-certified in order to continue receiving the credit in the future. No clients were immediately disallowed. All individuals contacted in the review were given the opportunity to substantiate their claim for the 2001 tax year. The CCRA will accept previous versions of Form T2201, the Disability Tax Credit Certificate, provided there is sufficient information on the form or in the attached documentation to enable the CCRA to reconfirm the ongoing eligibility of an individual for this credit.

The current review is meeting its objectives, which are to ensure that all claimants who applied for the credit are treated fairly and consistently, and to ensure that the DTC program is administered in accordance with the law.

The CCRA recognized that this initiative would have to be carried out with sensitivity. Consequently, it made every effort to ensure that the tone and content of the re-certification letter were sensitive and appropriate. It is unfortunate that, despite these efforts, some people who received the letter were offended. The CCRA has always taken and continues to take great care to respond to those individuals who have contacted the Agency with questions or concerns regarding the re-certification letter. The CCRA responded to the concerns of these individuals and took the opportunity to explain the purpose of the review and answer any questions in a sensitive and professional manner. The CCRA will take steps to enhance the wording of these types of letters in the future, with input from members of groups representing persons with disabilities.

The Standing Committee is also concerned about the costs individuals incur to obtain re-certification through this review process. It recommends that all individuals who obtain re-certification as a result of the pre-1996 review be compensated for costs incurred in using a qualified person to complete Form T2201 or for providing the CCRA with supplementary information.

The self-assessment tax system requires that the Government, on occasion, follow up with taxpayers. It is the Government's position that the costs imposed by this process, including the costs of providing supporting documentation, should be the responsibility of taxpayers. It would be inequitable to compensate only individuals who were involved in the review of pre-1996 DTC claims for these expenses, when this compensation is not available to other taxpayers claiming the DTC or other tax credits. However, all DTC claimants may be able to receive partial compensation for these costs by claiming them as an allowable medical expense upon filing their tax returns.

Staff Training for the Administration of the DTC

The Standing Committee is concerned about the level of training given to CCRA employees who administer the DTC and recommends that any training should involve members of the community. The Standing Committee also recommends that any decisions to grant or deny an individual's application for the DTC be made by a qualified person as set out in the *Income Tax Act*.

The CCRA recognizes the need for competent and well-trained staff to administer the provisions of the *Income Tax Act*, and is confident that the individuals who administer the DTC and other tax measures do so in a fair and competent manner.

Employees who work on the DTC are trained on general aspects of this program, the particulars of the legislation, and the policy guidelines governing the administering of this legislative provision. Any changes to the *Income Tax Act* or administrative practices are immediately communicated to employees. In addition, issues and concerns that are raised during exchanges between CCRA officials and representatives of the community of persons with disabilities or persons qualified to certify the form T2201 are taken into account in developing and updating CCRA policies, guidelines and training given to DTC personnel.

The majority of claims for the DTC are easily resolved as the individual clearly either qualifies or does not qualify for the credit. When an individual's eligibility is not clear, the case is referred to CCRA Headquarters where the claim is reviewed by medical professionals who determine the individual's eligibility for the DTC based on the information provided by the qualified person and, when necessary, after communicating with the qualified person to obtain clarification about the client's condition. This process is fair, efficient, and cost-effective.

Expanded Consultations on the Administration of the DTC

Following the recommendations of the Standing Committee, the CCRA intends to expand its consultation process. The CCRA will meet with groups representing persons with disabilities, members of the medical community and the Office for Disability Issues of HRDC to discuss enhancements to the DTC application form and methods of streamlining the certification process. Particular attention will be given to clarifying the information required in form T2201 in relation to mental impairments, and to reducing the burden placed on medical practitioners by requests for supplementary information. On May 28, and June 20, 2002, the CCRA held initial meetings with groups representing persons with disabilities and the Office of Disability Issues of HRDC as the first steps in initiating these discussions, and in establishing an advisory committee on administrative issues.

Informing the Community of Persons with Disabilities

The Committee report recommends that the CCRA expand its existing information and education campaign regarding the purpose, nature and provisions of the DTC. It recommended that this campaign target the public, medical professionals and financial advisors. The CCRA understands that an informed public is a cornerstone of an effective self-assessment tax system. Consequently, a variety of publications are produced to inform the public and professionals about their rights and obligations under the Act. For example, the *Information Concerning People with Disabilities* guide contains detailed information on the full range of tax credits that are available to individuals with disabilities and their families. For additional information, the Interpretation Bulletin, IT-519R2, *Medical Expense and Disability Tax Credits and Attendant Care Expenses*, provides technical interpretations on the application of the Acts provisions.

The CCRA is looking at how it can build on existing information dissemination activities. It intends to explore various initiatives for increasing awareness of the DTC and helping individuals and tax preparers better understand the programs eligibility requirements. The CCRA will also look into the possibility of producing a new document to assist medical practitioners in completing form T2201.

A Fair and Accessible Appeal Process

The CCRA is committed to providing taxpayers with a fair and accessible appeal process. Appeal procedures are clearly outlined in a number of government publications, on the CCRA website, and on all notices of assessment and reassessment. Relevant CCRA publications are available in paper format, electronically and also in Braille, large print and audiocassette or computer diskette.

To be effective, objection rights must be brought to the attention of taxpayers at the appropriate time. Accordingly, clients are informed of these rights when a decision is communicated. This is normally when the client receives a notice of assessment or reassessment. The time limit for an individual to file an objection is the later of one year from the date the tax return was due to be filed, or 90 days from the mailing of the notice of assessment. If clients cannot meet this time limit, they can apply to the Minister of National Revenue for an extension and, if that fails, they can apply to the Tax Court of Canada for further consideration.

The Government of Canada believes that the time period provided for objecting, along with the time extension provisions, are fair and reasonable and that they adequately address the needs of DTC claimants and other taxpayers.

Moving Forward

The Government of Canada is committed to helping persons with disabilities participate fully in the lives of their communities. Tax assistance is only one component of the policy framework that supports full citizenship for persons with disabilities, but it is an important component. The Government will continue with ongoing consultations and assessments to ensure that the substantial assistance provided to persons with disabilities through the tax system achieves its objectives.

The Government of Canada also continues to be committed to working with provinces and territories toward the full participation of Canadians with disabilities within the *In Unison* policy vision. Current work is focussed on moving forward on a labour market strategy for Canadians with disabilities. Work is also proceeding to assess gaps in the availability of disability support and to identify priorities of the community representing persons with disabilities, at the federal-provincial-territorial level and in the context of the Voluntary Sector Initiative.

HRDC is strongly engaged with the voluntary sector on a range of policy and program issues. For example, the Federal, Provincial and Territorial Working Group on Benefits and Services for Persons with Disabilities, co-chaired by HRDC, holds regular consultations with national and provincial organizations representing persons with disabilities as mandated by Ministers of Social Services.

Leadership Role

The needs of persons with disabilities are best addressed through the collaborative efforts of governments, the private and voluntary sectors and groups representing persons with disabilities. By working together, key actors can make progress toward a society in which persons with disabilities have the opportunity to achieve their full potential. The Government of Canada will continue to demonstrate leadership in this area of shared responsibility through its programs to support individuals and through partnership initiatives with other sectors.

Following on its commitments in the January 2001 Speech from the Throne, for example, the Government of Canada is working with provinces and territories to develop a comprehensive labour market strategy for persons with disabilities. This includes examining existing programs and services to ensure that they are effective and well-coordinated.

Improving the Effectiveness of Federal Policies and Programs for Persons with Disabilities

Informing and educating Canadians about the circumstances of persons with disabilities and reporting on programs remain important activities for federal, provincial and territorial governments.

Ministers Responsible for Social Services jointly released the *In Unison 2000* report, which for the first time brought together important information on societal indicators and effective practices related to disability in Canada. They will continue to explore opportunities for improving the availability of disability support, in collaboration with the organizations representing persons with disabilities.

The Government intends to use the information from recent reporting initiatives, the results of the Government of Canada's collaborative work with Provinces and Territories, the Participation and Activity Limitation Survey (PALS), and its on-going consultations, to continue to ensure that federal programs are effective in their support of full citizenship for persons with disabilities. The Government will keep the Parliamentary Committee informed of its progress.

The Government is also developing the first comprehensive report of federal programs and services for persons with disabilities. The report will look at outcomes in relation to goals identified in *In Unison* and *Future Directions to Address Disability Issues in Canada: Working Together for Full Citizenship*.

These reporting initiatives help policy-makers, program managers, stakeholders and the Canadian public better understand the needs and circumstances of persons with disabilities and the impacts of programs and services directed towards them.

ANNEX 1

DESCRIPTION OF MAIN FEDERAL PROGRAMS AND SERVICES FOR PERSONS WITH DISABILITIES

Human Resources Development Canada (HRDC) Programs

Employability Assistance for People with Disabilities (EAPD)

The Government of Canada has committed \$193 million annually to the Employability Assistance for People with Disabilities (EAPD) initiative. EAPD is a joint federal-provincial initiative in which the Government of Canada provides funding to the provinces to improve employability for persons with disabilities. The programs and services funded under EAPD vary among provinces to reflect local priorities and circumstances. Examples of interventions which provinces may choose to jointly fund through EAPD include post-secondary education, employment counselling and assessment, pre-employment training, skills development, assistive aids and devices, wage subsidies or earnings supplements, and individualized funding.

Opportunities Fund

In the 2000 Budget, the Government of Canada announced ongoing funding for the Opportunities Fund of \$30 million per year. The Opportunities Fund is a program that assists persons with disabilities, who do not have access to relevant services funded under EI benefits, to prepare for, obtain, and maintain employment.

Canada Study Grants for Students with Disabilities

Canada Study Grants help post-secondary students with disabilities with the costs of their education. In Budget 2001, the Government of Canada increased the maximum grant to cover exceptional costs associated with disabilities from \$5,000 to \$8,000. Apart from these grants to help deal with exceptional costs, some students with disabilities may find that the maximum student loans available are not sufficient to meet assessed needs. In these cases, a supplementary grant of up to \$2,000 a year is now provided. The estimated cost of these two budget measures is \$10 million annually.

Social Development Partnerships Program – Disability (SDPP)

The Government of Canada invests approximately \$12 million per year to support national disability organizations under the disability component of the SDPP. The goals of this program are to build the capacity of national disability organizations to promote the full and equal participation of Canadians with disabilities in all aspects of society; to develop and promote best practices; and promote the inclusion of persons with intellectual disabilities in their communities.

Canada Pension Plan (CPP) Disability

The Canada Pension Plan (CPP) disability program is the major earnings replacement protection for people with severe and prolonged impairments. In 2000-2001, the CPP paid \$2.5 billion in benefits to 282,000 contributors with disabilities and \$232 million in benefits to 93,000 children of such contributors. During that same year, almost 56,000 new applications for disability benefits were received. The CPP disability program also helps beneficiaries return to work if and when they are able to do so. Similar benefits are provided under the Quebec Pension Plan (\$487.4 million in 2000-2001).

Support for Aboriginal Persons with Disabilities

Because disability rates are high among Aboriginal persons, HRDC offers programs designed to address their special needs. Under the *Aboriginal Human Resources Development Strategy*, \$3 million a year – funded under the *Opportunities Fund* – is dedicated to ensure that Aboriginal persons living with disabilities can access training and employment opportunities.

Veterans Affairs Canada Programs

Disability Pension Program

Veterans Affairs Canada administers a disability pension program. Pensions are awarded to those suffering from impairments related to military service. The pension award is based on the extent of disability, as verified by medical examination, and is paid in accordance with rates set out in legislation. The applicant's age, occupation, and financial circumstances have no bearing on the right to apply. In addition, extensive health care programs are in place and one of the key eligibility criteria is the presence of a recognized disability.

In 2000-2001, in excess of 150,000 veterans, including their survivors, received, in total, nearly \$1.25 billion. In addition, veterans are eligible for many associated health care benefits as a consequence of a disability pension award.

Other Key Government of Canada Programs

For comprehensive information on the range of Government of Canada programs for persons with disabilities, individuals should visit Persons with Disabilities Online at www.pwd-online.ca. In addition, you can access information regarding federal, provincial, and territorial government programs and related services for persons with disabilities at www.disabilityweblinks.ca. Both these sites provide information on a variety of topics, including accessibility, education, employment, financial support, health, housing and residential support, personal support, rights, tax programs, and transportation.

ANNEX 2

DESCRIPTION OF TAX ASSISTANCE FOR PERSONS WITH DISABILITIES AND THOSE WHO CARE FOR THEM

Tax measures for persons with disabilities recognize the impact of medical and disability-related costs on the ability to pay tax, reduce barriers to labour force participation and provide support to caregivers. The assistance available to individuals depends on their particular circumstances.

Disability Tax Credit

The disability tax credit (DTC) provides tax assistance to individuals who, due to the effects of a severe and prolonged impairment, require extensive therapy to sustain a vital function or are markedly restricted in their ability to perform a basic activity of daily living as certified by a qualified medical practitioner. Individuals are markedly restricted if, even with therapy or the use of appropriate devices and medication, they are blind or unable to perform a basic activity of daily living, or if they require an inordinate amount of time to perform the activity, all or substantially all of the time. The basic activities of daily living are: walking; feeding and dressing oneself; perceiving, thinking and remembering; speaking; hearing; and, eliminating bodily waste.

The DTC recognizes the impact of non-itemizable disability-related costs on individual's ability to pay tax. For 2002, the credit is 16 per cent of \$6,180, which provides a federal tax reduction of up to \$989. This credit can be transferred to a supporting spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew or niece of the individual. The credit amount is fully indexed to inflation.

DTC Supplement for Children

Families caring for children with severe and prolonged impairments may receive additional tax assistance through a supplement to the DTC. This additional tax assistance was introduced in the 2000 budget. For 2002, the supplement provides an additional federal tax reduction of up to \$577, or 16 per cent of \$3,605. The \$3,605 supplement amount is reduced dollar-for-dollar by the amount of child care expenses or attendant care expenses claimed for tax purposes over \$2,112. Both this income threshold and the supplement amount (\$3,605) are fully indexed.

Medical Expense Tax Credit

The medical expense tax credit (METC) recognizes the effect of above-average medical expenses on an individual's ability to pay tax. For 2002, the credit equals 16 per cent of qualifying medical expenses in excess of the lesser of \$1,728 or 3 per cent of net income. The net income threshold is used to determine above-average expenses. There is no upper limit on the amount of eligible expenses that may be claimed.

The list of eligible medical expenses is regularly reviewed and expanded in light of new technologies and other disability-specific or medically related items. For example, the 2000 budget recognized the incremental cost of modifications made to new homes to assist individuals with severe mobility impairments as an eligible expense.

Taxpayers may claim the medical expenses that they or their spouses incur, as well as, in certain circumstances, expenses incurred by specified dependant relatives.

Refundable Medical Expense Supplement

The supplement improves incentives for Canadians with disabilities to enter the work force by helping to offset the loss of disability related support when they enter the paid labour force. The refundable supplement to the METC provides assistance for above-average disability and medical expenses to low-income working Canadians. For 2002, the maximum supplement is the lesser of \$535 or 25 per cent of the allowable portion of expenses that can be claimed under the METC. The credit is available to workers with earnings above \$2,676. To target assistance to those with low incomes, the credit is reduced by 5 per cent of family income in excess of \$20,296. Individuals claiming the refundable supplement may also claim the non-refundable METC. This supplement was introduced in the 1997 budget and is fully indexed to inflation.

Caregiver Credit

This credit was introduced in the 1998 budget to provide assistance to individuals providing in-home care for a parent or grandparent 65 years of age or over, or an infirm dependent relative, including an adult child or grandchild, brother, sister, aunt, uncle, niece or nephew. The maximum credit is \$577 (16 per cent of \$3,605). The credit is reduced when the dependant's net income exceeds \$12,312 and is fully phased out when the dependant's net income reaches \$15,917.

The caregiver credit amount and the income threshold at which the credit starts to be reduced are fully indexed to inflation.

Infirm Dependant Credit

The infirm dependant credit provides tax assistance to individuals providing support to an infirm relative, who lives in a separate residence. More specifically, the infirm dependant credit may be claimed by taxpayers supporting a child or grandchild 18 years of age or over, parent, grandparent, brother, sister, aunt, uncle, niece, or nephew, who is dependent due to a mental or physical infirmity. This non-refundable credit has a maximum value of \$577 (16 per cent of \$3,605). The credit can be claimed by a supporting relative when the net income of the dependant is less than \$8,720. The credit is reduced when the dependant's net income exceeds \$5,115. This credit amount and the income threshold at which the credit starts to be reduced are fully indexed to inflation.

Attendant Care Deduction

This deduction recognizes the costs incurred by taxpayers eligible for the disability tax credit who require attendant care in order to earn business or employment income or to attend school. The attendant cannot be a spouse or common-law partner and must be 18 years of age or older.

The deduction is limited to the lesser of the qualifying amounts paid to the attendant or 2/3 of the taxpayer's earned income. The deduction for those attending school is limited to 2/3 of income (income up to \$15,000) from all sources.

Child Care Expense Deduction

This deduction recognizes the child care costs incurred by single parents and two-earner families in the course of earning business or employment income, pursuing education or performing research. The child care expense deduction limit is \$10,000 in respect of children who qualify for the DTC.

ANNEX 3

ENHANCEMENT AND IMPROVEMENT TO TAX ASSISTANCE FOR PERSONS WITH DISABILITIES AND THOSE WHO CARE FOR THEM

1996

- Increased the infirm dependant tax credit amount from \$1,583 to \$2,353.
- Expanded zero-rating of orthopaedic and orthotic devices under the GST.

1997

- Removed the limit on the amount of attendant care expenses that could be deducted by individuals in order to earn income.
- Introduced a refundable medical expense supplement to lower the “welfare wall” created by the potential loss of medical benefits and disability-support under provincial social assistance programs.
- Expanded the list of occupations that could certify individuals for the DTC to include audiologists.
- Broadened the definition of preferred beneficiary for trusts benefiting people with disabilities to include adults who are dependent on others by reason of mental or physical infirmity.
- Expanded the list of eligible expenses under the medical expense tax credit (METC) to include:
 - 50% of the cost, up to \$1,000, of an air conditioner necessary to help an individual cope with a severe chronic ailment, disease or disorder.
 - 20% of the cost, up to \$5,000, of a van that is adapted or will be adapted for the transportation of an individual using a wheelchair.
 - Sign language interpreter fees.
 - Expenses incurred for moving to accessible housing.
 - Reasonable expenses relating to alterations to the driveway of an individual’s place of residence where the individual has a severe and prolonged mobility impairment and the alterations are made to facilitate the individual’s access to a bus.
 - An increase in the part-time attendant care limit from \$5,000 to \$10,000.

1998

- Introduced a new tax credit for caregivers who provide in-home care for related seniors and persons with mental or physical impairments.
- Added occupational therapists and psychologists to the list of occupations that could certify individuals for the DTC.
- Broadened the Home Buyers' Plan so that persons with disabilities or their relatives may buy a home that is more accessible for, or better suited for the care of, the disabled individual, even if the purchaser is not a first-time home buyer.
- Exempted respite care services from the GST/HST.
- Added training expenses for caregivers to the list of expenses eligible for the medical expense tax credit.
- Increased the limit on the childcare expense deduction in respect of children under 7 years of age and children eligible for the DTC from \$5,000 to \$7,000.

1999

- Expanded the list of eligible expenses under the medical expense tax credit to include:
 - The care and supervision of persons with severe and prolonged impairments living in a group home.
 - Therapy for persons with severe and prolonged impairments where prescribed by a medical doctor, psychologist, or occupational therapist, but not administered by a qualified therapist or medical practitioner.
 - Tutoring for persons with learning disabilities (or other mental impairments).

2000 Budget

- Restored full indexation to the personal income tax system. This preserves the real value of tax benefits such as the disability tax credit, the caregiver credit, the infirm dependant credit and the refundable medical expense supplement.
- Broadened the eligibility criteria for the disability tax credit (DTC) to include individuals with severe and prolonged impairments who require extensive therapy essential to sustain their vital functions.
- Expanded the list of relatives to whom the DTC can be transferred.
- Introduced a supplement to the DTC for families caring for children with severe and prolonged impairments.

- Increased the limit on the childcare expense deduction in respect of children eligible for the DTC from \$7,000 to \$10,000.
- Added reasonable expenses relating to the cost of adapting a new home to the needs of a person who lacks normal physical development or has a severe and prolonged mobility impairment to the list of expenses eligible for the medical expense tax credit.
- Expanded the attendant care deduction to include the cost of an attendant required by a person with a severe and prolonged disability in order to attend school.
- Increased the exemption for scholarship, fellowship or bursary income from \$500 to \$3,000, which benefits disabled students in receipt of Canada Study Grants.

2000 Statement

- Increased the DTC amount from \$4,293 to \$6,000 effective January 1, 2001.
- Increased the caregiver tax credit amount from \$2,386 to \$3,500 effective January 1, 2001.
- Increased the infirm dependant tax credit amount from \$2,386 to \$3,500 effective January 1, 2001.
- Increased the amount for the supplement to the DTC for children with severe and prolonged impairments from \$2,941 to \$3,500 effective January 1, 2001.
- Added speech-language pathologists to the list of occupations that can certify individuals for the DTC.



